

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT AND
OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2021

Audubon County Solid Waste Management Commission

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AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------|------------------|---------------------------|
| Penny Schmidt | Chairperson | Gray Representative |
| Robert Sornson | Vice-Chairperson | Audubon Representative |
| Jessica Hoegh | Member | Kimballton Representative |
| Rick Thompson | Member | County Representative |
| Mike Blum | Member | County Representative |
| Tami Anderson | Director | |

Gronewold, Bell, Kyhnn & Co. P.C.

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CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Members of the Audubon County
Solid Waste Management Commission

Report on the Financial Statement

We have audited the accompanying financial statement of Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2021, and the related notes to financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

To the Members of the Audubon County
Solid Waste Management Commission

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Audubon County Solid Waste Management Commission as of June 30, 2021 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 4 through 4b and on pages 18 through 20, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2021 on our consideration of Audubon County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Audubon County Solid Waste Management Commission's internal control over financial reporting and compliance.

James W. Bell, CPA

Atlantic, Iowa
November 24, 2021

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Audubon County Solid Waste Management Commission is for the year ended June 30, 2021. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2021 FINANCIAL HIGHLIGHTS

The Commission's operating receipts increased 5.3% or approximately \$18,800, from fiscal 2020 to fiscal 2021.

The Commission's operating disbursements increased approximately \$12,400, or 3.3%, from fiscal 2020 to fiscal 2021.

The Commission's cash balance decreased 1.0%, or approximately \$6,900, from June 30, 2020 to June 20, 2021.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement and other information. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Other Information further explains and supports the Commission's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase or decrease in the Commission's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the transfer station. Non-operating receipts are for interest on investments. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2021 and June 30, 2020 is presented below:

| | Year ended June 30, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| Operating receipts: | | |
| Tipping fees and gate charges | \$ 221,610 | \$ 212,921 |
| Member assessments | 103,020 | 100,444 |
| Recycling revenue | 31,886 | 34,063 |
| Miscellaneous | 16,501 | 6,810 |
| Total operating receipts | <u>373,017</u> | <u>354,238</u> |
| Operating disbursements: | | |
| Salaries and benefits | 166,272 | 164,880 |
| Landfill disposal fees | 87,616 | 79,347 |
| Regulatory assistance/engineering | 12,828 | 15,600 |
| Other | 120,182 | 114,654 |
| Total operating disbursements | <u>386,898</u> | <u>374,481</u> |
| Excess of operating disbursements over operating receipts | <u>(13,881)</u> | <u>(20,243)</u> |
| Non-operating receipts: | | |
| Interest on investments | <u>6,978</u> | <u>12,423</u> |
| Change in cash balance | <u>(6,903)</u> | <u>(7,820)</u> |
| Cash balance beginning of year | <u>695,243</u> | <u>703,063</u> |
| Cash balance end of year | <u>\$ 688,340</u> | <u>\$ 695,243</u> |
| Cash Basis Fund Balance | | |
| Restricted for: | | |
| Equipment replacement | \$ 10,338 | \$ 10,209 |
| Transfer station closure | 17,090 | 16,852 |
| Postclosure care | 492,885 | 492,275 |
| Tonnage fees retained | 7,620 | 5,255 |
| Total restricted cash basis fund balance | <u>527,933</u> | <u>524,591</u> |
| Unrestricted | <u>160,407</u> | <u>170,652</u> |
| Total cash basis fund balance | <u>\$ 688,340</u> | <u>\$ 695,243</u> |

In fiscal 2021, operating receipts increased approximately \$18,800, over fiscal year 2020. Tipping fees and gate charges and member assessments increased by \$8,689 and \$2,576, respectively, while recycling revenue decreased \$2,177. In fiscal year 2021, operating disbursements increased by approximately \$12,400 from fiscal year 2020.

A portion of the Commission's cash balance, \$509,975 (74%) is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Regulations also require the Commission to set aside funds for the estimated cost of closing the transfer station, if and when that occurs. The Commission also had \$7,620 restricted for tonnage fees and \$10,338 restricted for equipment replacement. The remaining cash balance, \$160,407 (23%) is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance increased \$3,342 or 0.6%, during the year. The unrestricted cash balance decreased \$10,245, or 6.0%, during the year.

LONG-TERM DEBT

At June 30, 2021 the Commission had no long-term debt outstanding.

ECONOMIC FACTORS

The Commission completed landfill closure requirements during fiscal 2010. In conjunction with this action, the Commission is operating a transfer station, which will temporarily hold waste until its delivery to a liner compliant landfill. During fiscal year ended June 30, 2021, about 3,465 tons of waste was delivered from the transfer station. Some of the realities which may potentially become challenges for the Commission to meet are:

- Budgeting, anticipating increases in cost and fluctuating revenues due to items such as markets for recyclable materials.
- Facilities require constant maintenance and upkeep.
- Reacting to regulatory requirements.

The Commission anticipates the current fiscal year financial results to be much like the past year. The Commission will maintain a close watch over resources to maintain our ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Audubon County Solid Waste Management Commission, 1881 215th St., Audubon, Iowa 50025.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2021

| | |
|---|-------------------|
| Operating receipts: | |
| Tipping fees and gate charges | \$ 221,610 |
| Member assessments | 103,020 |
| Recycling revenue | 31,886 |
| Miscellaneous | <u>16,501</u> |
| Total operating receipts | <u>373,017</u> |
| Operating disbursements: | |
| Salaries and benefits | 166,272 |
| Landfill disposal fees | 87,616 |
| Regulatory assistance/engineering | 12,828 |
| Recycling | 15,948 |
| Insurance | 6,084 |
| Building and equipment maintenance | 64,032 |
| Landfill maintenance | 9,161 |
| Legal, accounting and auditing | 5,681 |
| Travel, education, and training | 2,120 |
| Utilities | 5,587 |
| Minor equipment and supplies | <u>11,569</u> |
| Total operating disbursements | <u>386,898</u> |
| Excess of operating disbursements over operating receipts | (13,881) |
| Non-operating receipts: | |
| Interest on investments | <u>6,978</u> |
| Change in cash balance | (6,903) |
| Cash balance beginning of year | <u>695,243</u> |
| Cash balance end of year | <u>\$ 688,340</u> |

(continued next page)

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance - Continued

As of and for the year ended June 30, 2021

Cash Basis Fund Balance

Restricted for:

| | |
|--|--------------|
| Equipment replacement | \$ 10,338 |
| Transfer station closure | 17,090 |
| Postclosure care | 492,885 |
| Tonnage fees retained | <u>7,620</u> |
| Total restricted cash basis fund balance | 527,933 |

Unrestricted:

| | |
|------------|----------------|
| Unassigned | <u>160,407</u> |
|------------|----------------|

| | |
|-------------------------------|--------------------------|
| Total cash basis fund balance | <u><u>\$ 688,340</u></u> |
|-------------------------------|--------------------------|

See notes to financial statement.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Audubon County Solid Waste Management Commission was formed in 1991 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste and recycling facilities in Audubon County on behalf of the units of government which are members of the Commission. During 2010, the operation transitioned from an operating landfill to a transfer station, and commenced closure activities on the existing landfill.

The governing body of the Commission is composed of five commissioners. The commissioners are appointed by the participating political subdivisions as follows: one commissioner shall be a resident of the City of Audubon who has five votes; one commissioner shall be a resident of the City of Gray who has one vote; one commissioner shall be a resident of the City of Kimballton who has one vote; and two commissioners for the unincorporated area of Audubon County, one of whom shall be a member of the Audubon County Board of Supervisors who resides within the rural area and has three votes with the non-Board commissioner having four votes.

A. Reporting Entity

For financial reporting purposes, the Audubon County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting

Audubon County Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure, postclosure care, equipment replacement and tonnage fees are classified as restricted.

NOTE 2 - CASH AND INVESTMENTS

The Commission's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 2 - CASH AND INVESTMENTS - Continued

The Commission has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

The Commission had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$10,390. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Commission's investment in IPAIT is unrated.

Interest rate risk. The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that generally mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Commission.

NOTE 3 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 3 - PENSION PLAN - Continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission's contributions to IPERS for the year ended June 30, 2021 were \$11,249.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 3 - PENSION PLAN - Continued

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the Commission had a liability of \$103,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Commission's proportion was 0.001470%, which was a decrease of 0.000188% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Commission's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$15,846, \$19,713, and \$10,940, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--|--|
| Rate of inflation (effective June 30, 2017) | 2.60% per annum. |
| Rates of salary increase (effective June 30, 2017) | 3.25% to 16.25% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 2017) | 3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation. |

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 3 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic equity | 22.0% | 4.43% |
| International equity | 17.5 | 5.15 |
| Global smart beta equity | 6.0 | 4.87 |
| Core plus fixed income | 28.0 | (0.29) |
| Public credit | 4.0 | 2.29 |
| Cash | 1.0 | (0.78) |
| Private equity | 11.0 | 6.54 |
| Private real assets | 7.5 | 4.48 |
| Private credit | 3.0 | 3.11 |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 3 - PENSION PLAN - Continued

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| Commission's proportionate share of the net pension liability | \$ 172,213 | \$ 103,281 | \$ 45,483 |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 4 - CLOSURE AND POSTCLOSURE CARE

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 4 - CLOSURE AND POSTCLOSURE CARE - Continued

These costs for the Audubon County Solid Waste Management Commission have been estimated to be \$9,350 for transfer station closure and \$453,900 for postclosure, for a total of \$463,250 as of June 30, 2021.

As described in Management's Discussion and Analysis, the Commission stopped accepting waste in 2010 and has completed its closure plan.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2021, assets of \$509,975 are restricted for these purposes, of which \$17,090 is for closure and \$492,885 is for postclosure care. They are reported as restricted cash basis fund balance on the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

The Commission has demonstrated financial assurance by fully funding the estimated postclosure care costs.

Chapter 567-113.14(8) of the Iowa Administrative Code (IAC) allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE 5 - TRANSFER STATION CLOSURE CARE

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total transfer station closure care costs for the Commission as of June 30, 2021 have been estimated at \$9,350. The balance has been restricted and is fully funded at June 30, 2021.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 6 - SOLID WASTE TONNAGE FEES RETAINED

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2021, the unspent tonnage fees retained by the Commission and restricted for the required purposes totaled \$7,620.

NOTE 7 - RISK MANAGEMENT

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Commission made its FY21 contribution to the pool in June, 2020 so it had no contribution to the Pool for the year ended June 30, 2021.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the Commission's risk-sharing certificate.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 7 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$250,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The Commission operates a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Commission currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the Commission contributed \$16,117 and plan members eligible for benefits contributed \$ - 0 - to the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the Commission and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms.

| | |
|---|-----------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 0 |
| Active employees | <u>3</u> |
| Total | <u><u>3</u></u> |

NOTE 9 - COMPENSATED ABSENCES

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2021 was \$3,450. This liability has been computed based on rates of pay in effect at June 30, 2021.

NOTE 10 - COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Audubon County Solid Waste Management Commission, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Audubon County Solid Waste Management Commission. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Audubon County Solid Waste Management Commission.

NOTE 11 - CONTINGENCIES

Subsequent Event

Management has evaluated all subsequent events through November 24, 2021, the date the financial statement was available to be issued.

* * *

OTHER INFORMATION

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*

Other Information

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Commission's proportion of the net pension liability | 0.001470% | 0.001658% |
| Commission's proportionate share of the net pension liability | \$ 103,281 | \$ 95,982 |
| Commission's covered payroll | \$ 116,682 | \$ 126,145 |
| Commission's proportionate share of the net pension liability as a percentage of its covered payroll | 88.51% | 76.09% |
| IPERS net position as a percentage of the total pension liability | 82.90% | 85.45% |

* - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------|-------------|-------------|-------------|-------------|
| 0.001459% | 0.001315% | 0.001327% | 0.001379% | 0.001326% |
| \$ 92,321 | \$ 86,797 | \$ 82,764 | \$ 68,576 | \$ 53,769 |
| \$ 109,244 | \$ 97,262 | \$ 94,379 | \$ 95,094 | \$ 99,753 |
| 84.51% | 89.24% | 87.69% | 72.11% | 53.90% |
| 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Commission Contributions

Iowa Public Employees' Retirement System Last Ten Fiscal Years

Other Information

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|-----------------|
| Statutorily required contribution | \$ 11,249 | \$ 11,015 | \$ 11,908 | \$ 9,755 |
| Contributions in relation to the statutorily required contribution | <u>(11,249)</u> | <u>(11,015)</u> | <u>(11,908)</u> | <u>(9,755)</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Commission's covered payroll | \$ 119,163 | \$ 116,682 | \$ 126,145 | \$ 109,244 |
| Contributions as a percentage of covered payroll | 9.44% | 9.44% | 9.44% | 8.93% |

See accompanying independent auditor's report.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 8,686 | \$ 8,428 | \$ 8,492 | \$ 8,908 | \$ 8,976 | \$ 9,699 |
| <u>(8,686)</u> | <u>(8,428)</u> | <u>(8,492)</u> | <u>(8,908)</u> | <u>(8,976)</u> | <u>(9,699)</u> |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| \$ 97,262 | \$ 94,379 | \$ 95,094 | \$ 99,753 | \$ 103,529 | \$ 120,186 |
| 8.93% | 8.93% | 8.93% | 8.93% | 8.67% | 8.07% |

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Other Information - Pension Liability Year Ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the Audubon County
Solid Waste Management Commission

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2021, and the related notes to financial statement, and have issued our report thereon dated November 24, 2021. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Audubon County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 21-I-A.

To the Members of the Audubon County
Solid Waste Management Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon County Solid Waste Management Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Finding

Audubon County Solid Waste Management Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Garrett W. Wahl, Ben Kyhn & W. P. C.

Atlantic, Iowa
November 24, 2021

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings and Responses

Year ended June 30, 2021

PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENT

INTERNAL CONTROL DEFICIENCIES

21-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Commission's financial statement.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Commission has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Commission's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Commission to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Commission to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings and Responses

Year ended June 30, 2021

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

21-II-A Questionable Disbursements: No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

21-II-B Travel Expense: No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

21-II-C Restricted Donor Activity: No transactions were noted between the Commission, Commission officials, Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

21-II-D Commission Minutes: No transactions were found that we believe should have been approved in the Commission minutes but were not.

21-II-E Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.

21-II-F Solid Waste Fees Retainage: No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings and Responses

Year ended June 30, 2021

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING - Continued

21-II-G Financial Assurance: The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

| | <u>Transfer Station Closure</u> | <u>Landfill Postclosure</u> |
|--|---|---------------------------------|
| Total estimated costs for closure and postclosure care | \$ 9,350 | \$ 453,900 |
| Less: Balance of funds held in the local dedicated fund at June 30, 2020 | <u>16,852</u> (7,502) | <u>492,275</u> (38,375) |
| Divided by the number of years remaining in the pay-in period at beginning of year | ÷ <u>1</u> | ÷ <u>1</u> |
| Required payment (excess deposited) into the local dedicated fund for the year ended June 30, 2021 | (7,502) | (38,375) |
| Balance of funds held in the local dedicated fund at June 30, 2020 | <u>16,852</u> | <u>492,275</u> |
| Required balance to be held in the local dedicated fund at June 30, 2021 | <u>\$ 9,350</u> | <u>\$ 453,900</u> |
| Amount Commission has restricted for closure and postclosure care at June 30, 2021 | <u>\$ 17,090</u> | <u>\$ 492,885</u> |

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made for the postclosure fund.

The total of the Commission's restricted fund exceeds the required balance in total. The postclosure account has a surplus of \$38,985. The closure account has a surplus of \$7,740.

* * *